



# Office of the State Fire Marshal Pipeline Safety Division

## Information regarding a Proposed Pipeline Operator Fee Increase

Presented by Bob Gorham, Chief

2007 Spring Pipeline Safety Workshop  
Bakersfield, California  
May 31, 2007

# Proposed changes to Pipeline Operator Fee

§51019. The State Fire Marshal may assess and collect from every pipeline operator an annual fee for the purpose of carrying out this chapter.

The State Fire Marshal may assess this fee for expenses which will be incurred during the following year. A pipeline operator shall pay this fee when billed by the State Fire Marshal.

## TITLE 19, DIVISION 1, CHAPTER 14

### § 2040. Fees

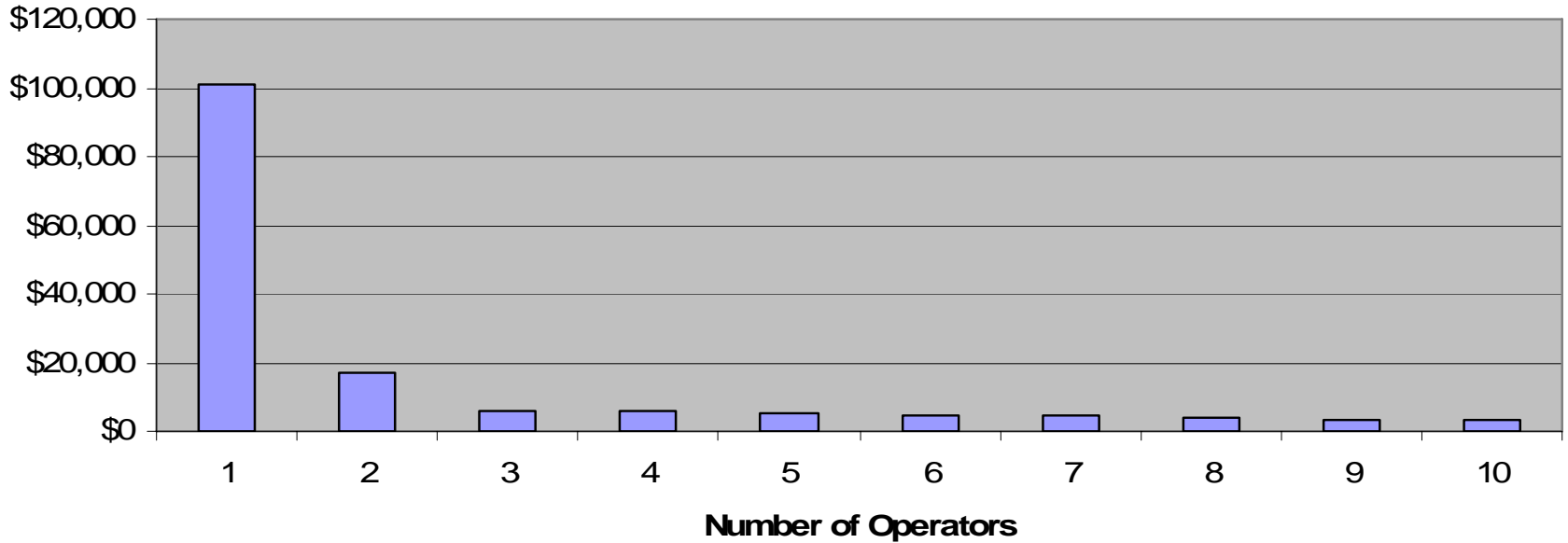
- In order to implement Chapter 5.5, of the Government Code, California Pipeline Safety Act of 1981, the following fees will be assessed on a fiscal year basis:

	<u>Existing</u>	<u>New</u>
• (a) Intrastate Pipelines		
• (1) Pipeline operator.....	\$3,000	<u>\$6,000</u>
• (2) Charge per mile of pipeline operated.....	\$150	<u>\$550</u>
• (3) Independent Hydrostatic Testing Firm.....	\$1,500	
• (b) Interstate Pipelines		
• (1) Pipeline Operator.....	\$3,000	<u>\$6,000</u>
• (2) Charge Per Mile of Pipeline Operated.....	\$100	<u>\$300</u>

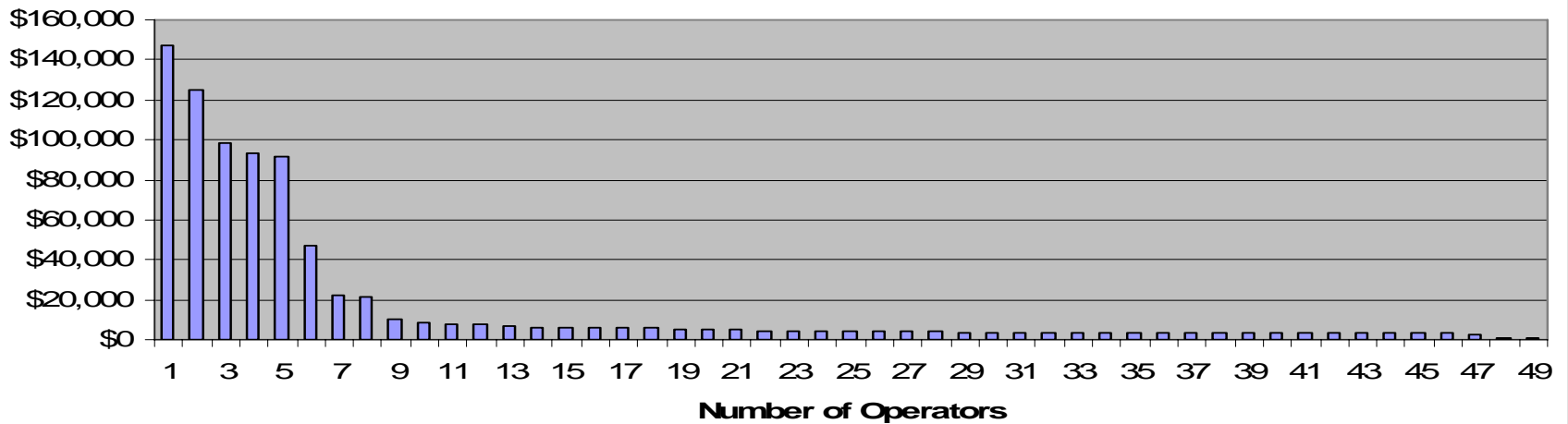
- Note: Authority cited: Sections 51019 and 51019.05, Government Code. Reference: Sections 51010, 51013.5, 51014.5, 51019 and 51019.05, Government Code.

# Existing distribution of Fees

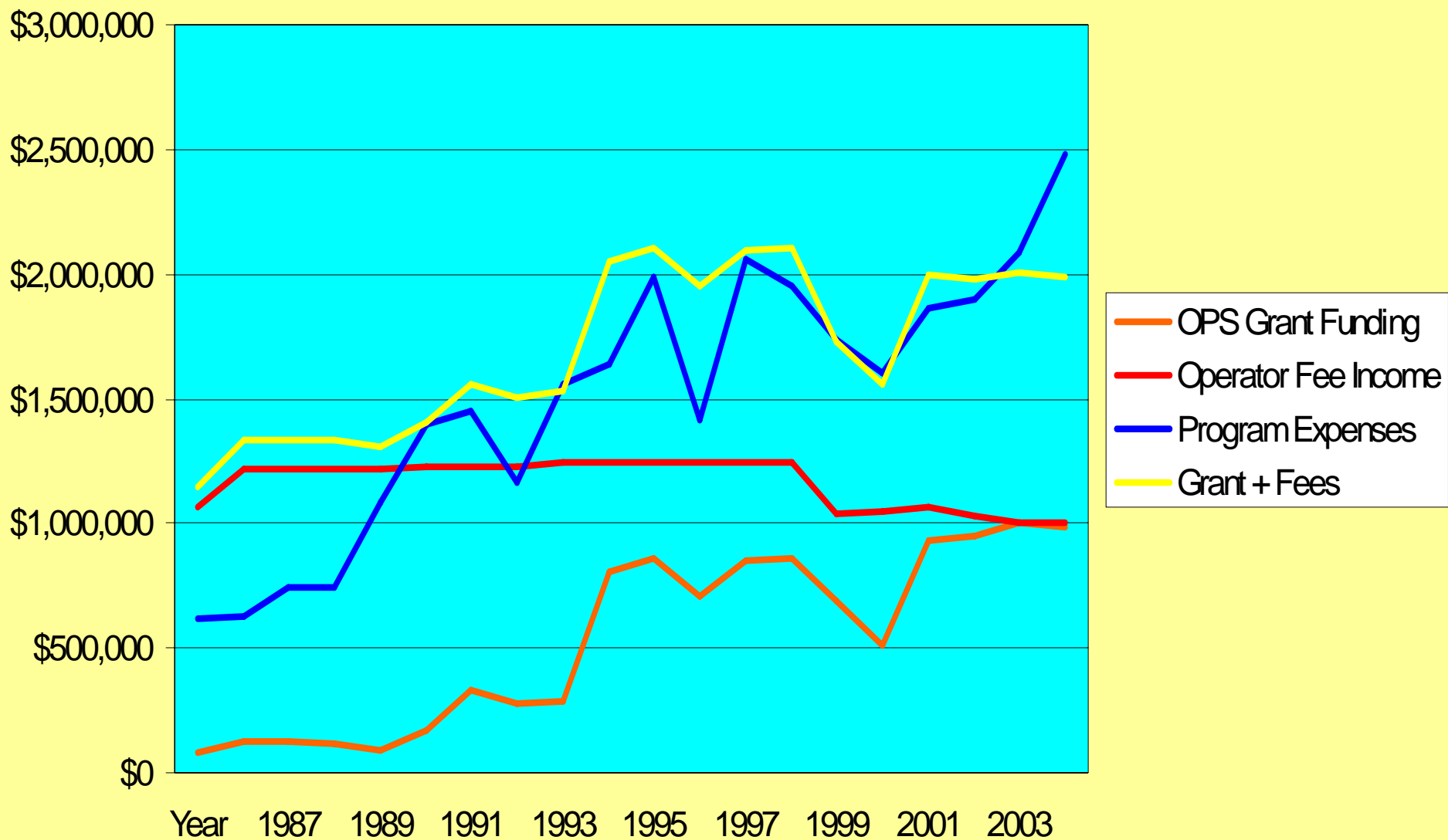
## Interstate Fees



## Intrastate Fees



# SFM Pipeline Operator Fee & Grant income compared to Program Expenses 1986-2005



# Rationale and Justification for Operator Fee Increase

- In the early years of the program, income exceeded expenditures and the excess money collected was placed in a reserve account. This reserve reached a peak of approximately \$2 million dollars.
- An internal audit of the program was conducted in 2005 to determine the condition of the pipeline safety fund. The results show that expenditures have exceeded income and that a drawdown of the reserve has been and is continuing to occur.
- Current balance is approximately \$1 million and without a fee increase, is expected to continue to decrease due to increased operating costs.

# Rationale and Justification for Operator Fee Increase

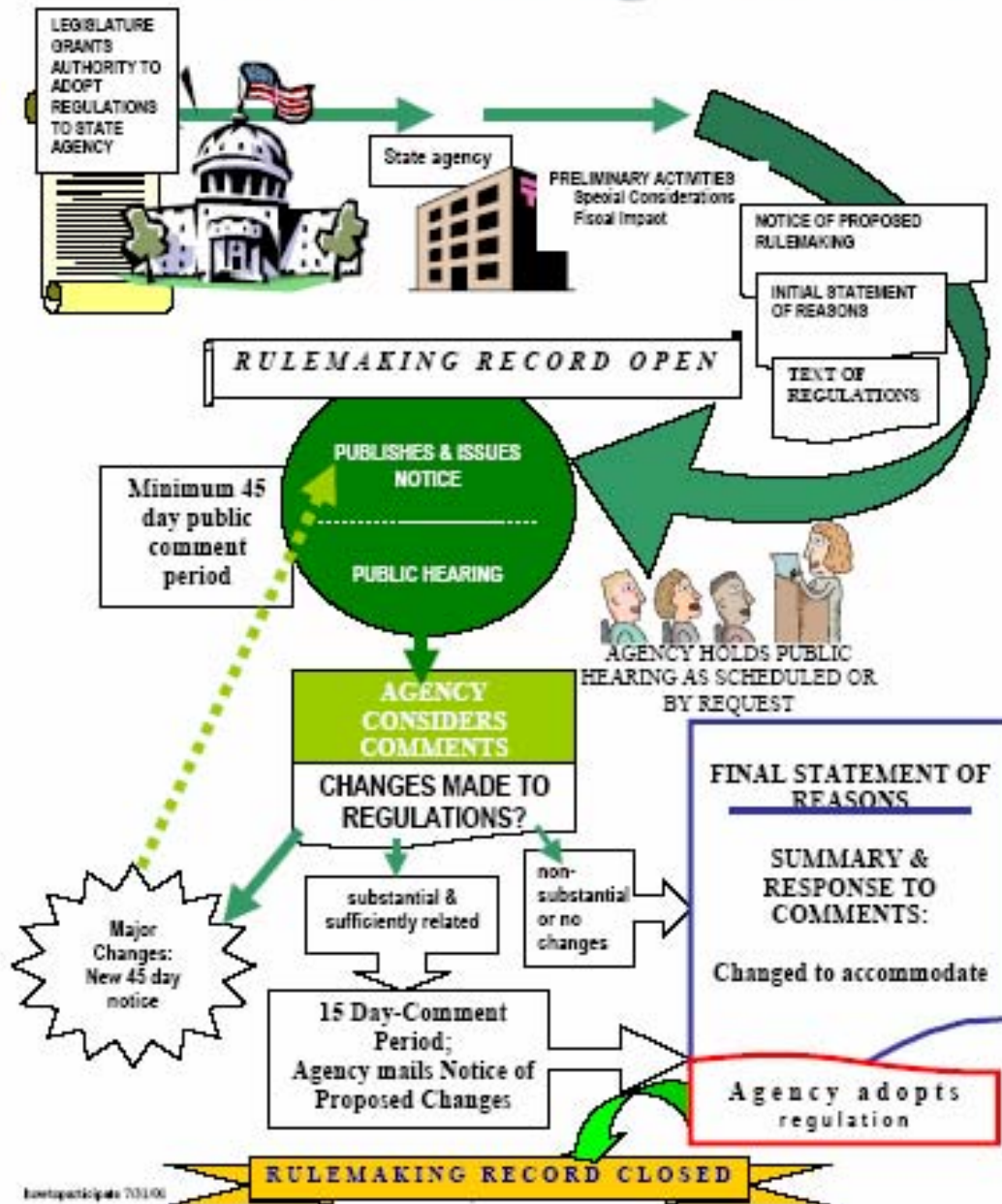
- The fees being modified have not been increased since 1987. Since that time, program costs have risen significantly due to inflation, rising personnel costs and regulatory program expansion.
- The regulatory requirements on the pipeline industry have changed dramatically since 1987. Additional regulations covered Drug & Alcohol, Operator Qualification, Integrity Management Programs, Mapping, Damage Prevention, Community Awareness. Each of these initiatives required the SFM to hire additional resources to meet the inspection demands.
- The State Fire Marshal intends to fill five presently vacant pipeline safety engineering positions in FY 2008-09. It is anticipated that significant salary increases will be necessary to fill these positions.

# Regulation Timeline

- July 2007 – Rulemaking process begins -All interested stakeholders and parties are sent notice of proposed regulation.
- 45–day comment period
- Public hearing if requested
- Completed by December 2007
- Proposed effective date: FY 2008-09



# The Rulemaking Process



# ***CAL FIRE***



**Please contact me if you have any questions or comments prior to the issuance of the proposed rulemaking.**

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